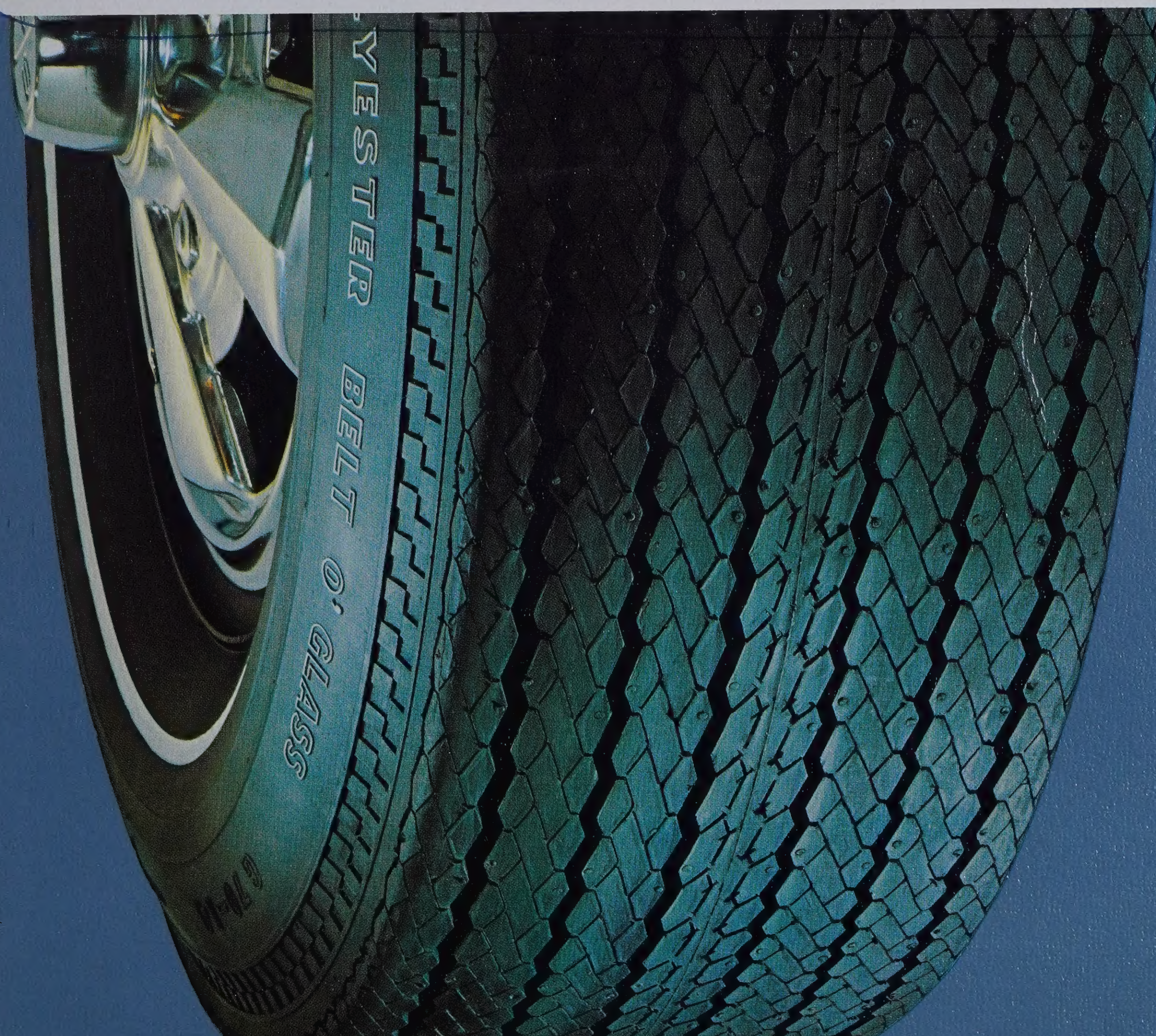
CANADIAN TIRE

forty-third ANNUAL REPORT 1969

CANADIAN TIRE CORPORATION LIMITED



1141 Kennedy Road location in Toronto — one of 21 new stores completed and opened in 1969 (see page 9)

3550 Portage Avenue, one of two stores opened in Winnipeg in 1969 — bringing the total to five.

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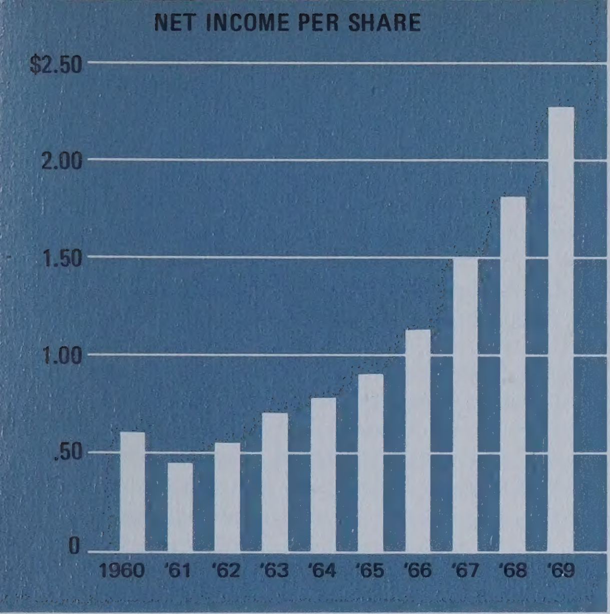
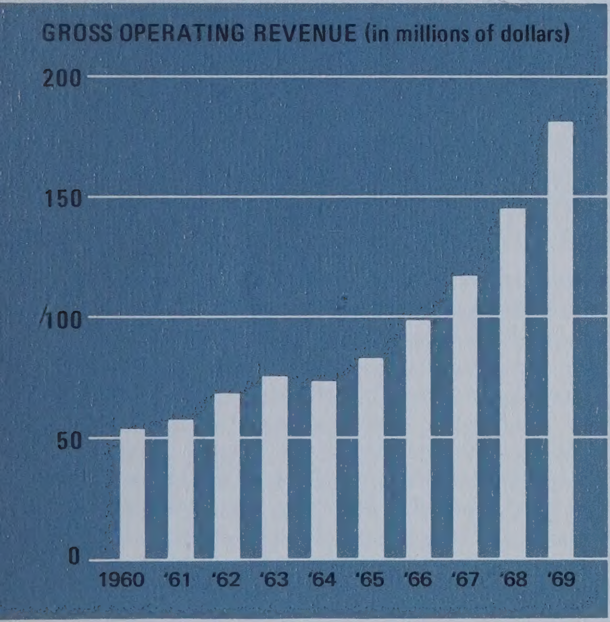




Annual Report
for the Year ended December 31, 1969

highlights

	1969	1968	Per cent Annual Change
Gross Operating Revenue . .	$179,307,784	$142,825,815	+25.6
Net Income	$ 7,852,366	$ 6,008,271	+30.7
*Per share . . .	$ 2.28	$ 1.80	+26.7
Cash Flow	$ 9,569,764	$ 7,349,521	+30.2
*Per share . . .	$ 2.78	$ 2.21	+25.8
Dividends Paid	$ 1,169,855	$ 898,762	+30.2
Per share . . .	34c	27c	+25.9
Shareholders' Equity . . .	$ 53,144,289	$ 45,621,699	+16.5
*Per share . . .	$ 15.45	$ 13.69	+12.9
Working Capital	$ 9,809,439	$ 11,617,242	−15.6
Capital Expenditures . . .	$ 10,048,756	$ 6,922,444	+45.2
Number of stores at year end .	245	234	+ 4.7

*Combined Class "A" and Common — based on average number of shares outstanding during the year.

98.5% of our 4,968 shareholders reside in Canada and own 99.7% of the total shares.

J. D. MUNCASTER
President

report to the shareholders

DURING 1969, gross operating revenue reached a new record of $179,308,000, an increase of 25.6% over the previous year. This percentage increase is the highest recorded since 1951. Following increases of 24.5%, 17.8% and 19.9% in the years 1968, 1967 and 1966 respectively, gross operating revenue has now more than doubled over the past four years.

Net income after taxes was $7,852,000 or $2.28 per share based upon the average number of shares outstanding —an increase of 30.7% over the comparable amounts for 1968 of $6,008,000 or $1.80 per share. Included in the income of both years is the Company's equity in the earnings of Canadian Tire Acceptance Limited — a wholly-owned subsidiary. Net income after taxes of the Acceptance company was $109,000 during 1969 and $26,000 in 1968. Also included in net income for 1969 is an extraordinary profit on the sale of land amounting to $119,000, equivalent to 3 cents per share.

At December 31, 1968, both working capital and the combination of cash, bank deposit receipts and short-term notes were at unusually high levels because of the receipt of $6,000,000 from the sale of treasury shares in December, 1968. This financing was done in anticipation of the 1969 capital expenditures programme.

Capital expenditures amounted to $10,049,000 during 1969, an increase of 45.2% over the previous year. An addition of some 230,000 square feet to the Distribution Centre in Toronto was almost complete at year end and is now in operation. Eleven new stores were opened in 1969 for a total of 245 at year end. Three other stores were completed in the first quarter of 1970 and four more are scheduled to begin operations within the next month, including large units in Toronto, Montreal and Winnipeg. The 1969 programme also involved the relocation of five stores into new, expanded premises.

To ensure the adequacy of merchandise inventories in the tight money conditions of 1969, Canadian Tire accepted a larger relative role in the financing of Associate Dealers. Accordingly, income debentures of Dealers increased by $1.2 million during the year.

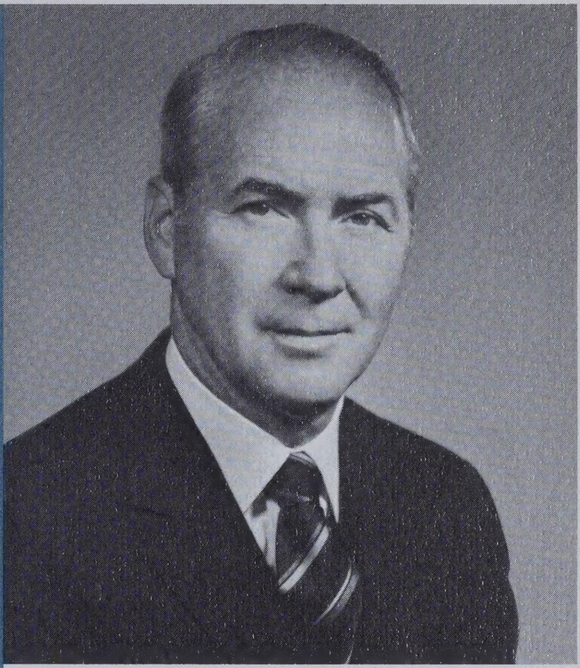
In continuing our past policy of sharing operating successes with our employee-shareholders, the Company's contributions to the Employee Profit Sharing Plans in 1969 increased by 31.4% to more than $1 million. The attitude of participation and involvement fostered by this profit sharing and share ownership philosophy is one of the Company's most valuable assets.

1969 was a particularly successful year for Canadian Tire Acceptance Limited. Gross operating revenue increased from $1,061,000 in 1968 to $1,376,000 in 1969, an increase of 29.7%. However, emphasis on efficiency resulted in an increase in operating expenses, other than the provision for credit losses, of only 9.8% from $687,000 in 1968 to $754,000 in 1969. Total interest expenses for 1969 did not increase in proportion to the growth of receivables or the rising short-term money rates, basically because of a recapitalization in October, 1968, which increased the equity investment by $1,300,000.

With 1969 net income of $109,000 included, retained earnings at year end were deemed adequate to permit the write-off of goodwill and organization expenses previously incurred.

In our preliminary report on March 17, 1970, we advised you of the Directors' decision to recommend to the shareholders a 3-for-1 subdivision of the outstanding Class "A" and common shares. If this subdivision is approved, the Directors propose to increase the dividend with the payment on June 1, 1970, of a quarterly dividend of 5 cents on each subdivided Class "A" and common share. This dividend would represent an increase from the existing annual rate of 36 cents per share to 60 cents on the present shares or from 13 cents to 20 cents annually on the subdivided shares.

On pages 12 and 13 of this Annual Report is a brief review of Canadian Tire in 'The Sixties' and an appraisal of our market-place in the early 1970s. To capitalize on the opportunities provided by that market, we propose a sustained and aggressive programme of growth. We plan to increase our penetration of product markets through a continuing re-appraisal of our product offerings, through highly competitive pricing policies and through aggressive advertising and promotion. We plan to open ten to fifteen additional stores annually, as well as continue to expand and to upgrade existing units. We must also continue to provide the physical distribution capacity necessary to service our Associate Stores efficiently and effectively.



A. E. BARRON
Chairman of the Board

IN PLANNING and executing the programme of growth outlined, the most important ingredient is the selection, training and motivation of the people involved. When the right people are involved – with the right tools in terms of training, equipment and capital and with their objectives and rewards commonly understood and accepted – the attainment of goals is virtually assured.

In the field, our Associate Store owners have responded positively to the challenge of continuing change in the quest for growth. Their effective participation has been an all-important factor in the successes of Canadian Tire as a whole. To our Dealers, and their thousands of employees, we extend our thanks.

To our corporate employees – who not only sponsored the dramatic changes of 1969 but also adapted so well to actually improve our earnings growth rate – we express our admiration and appreciation.

Despite the short-run difficulties being experienced in many sectors of the economy, for reasons outlined on page 13 of this Report, we are convinced that 1970 will be a highly successful year for Canadian Tire. Our Dealer sales performance – an increase of 28% in January and February – reinforces that conviction.

On behalf of the Board,

DATED March 23, 1970

Alex E Barron

Chairman of the Board

President

CANADIAN TIRE CORPORATION LIMITED

(Incorporated under The Corporations Act, Ontario)

BALANCE SHEET as at December 31, 1969

(with 1968 figures for comparison)

ASSETS

	1969	1968
CURRENT ASSETS:		
Cash and bank deposit receipts	$ 4,270,177	$11,282,382
Marketable securities — short term notes — at cost	—	3,092,586
Accounts and loans receivable	8,661,807	4,773,476
Due from subsidiary company	18,967	69,444
Merchandise inventories (Note 1)	22,181,098	14,572,715
Income debentures of Canadian Tire dealers — amounts due within one year	683,362	481,732
TOTAL CURRENT ASSETS	35,815,411	34,272,335
INVESTMENTS:		
Shares of subsidiary company not consolidated (Note 2)	1,395,150	1,336,635
Income debentures of Canadian Tire dealers — less amounts due within one year — at cost	3,781,545	2,779,291
TOTAL INVESTMENTS	5,176,695	4,115,926
PROPERTY AND EQUIPMENT — at cost (Note 3):		
Land	10,098,624	8,942,391
Buildings	32,474,253	25,470,918
Fixtures and equipment	4,793,858	4,126,262
Automotive equipment	887,362	531,009
Leasehold improvements	543,670	195,081
	48,797,767	39,265,661
Less accumulated depreciation and amortization	11,333,276	9,700,326
NET PROPERTY AND EQUIPMENT	37,464,491	29,565,335
OTHER ASSETS:		
Special refundable tax	—	21,878
Mortgages receivable	313,969	63,737
Deferred income tax charge	379,695	324,676
TOTAL OTHER ASSETS	693,664	410,291
TOTAL	$79,150,261	$68,363,887

The accompanying notes, on pages 8 & 9, are an integral part of these financial statements.

CANADIAN TIRE

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
CURRENT LIABILITIES:		
Accounts payable	$10,602,288	$ 8,419,666
Accrued liabilities and coupons outstanding	11,277,656	9,821,341
Income taxes payable	2,271,178	2,478,254
Notes payable	69,480	46,480
Loans payable to directors and shareholders	1,785,370	1,725,456
Long-term debt — amounts due within one year	—	163,896
TOTAL CURRENT LIABILITIES	26,005,972	22,655,093
LONG-TERM DEBT — less amounts due within one year	—	87,095
SHAREHOLDERS' EQUITY:		
Capital stock (Notes 4 and 5):		
Authorized:		
5,000,000 Class "A" non-voting shares without par value		
1,150,100 common shares without par value		
Issued and fully paid:		
2,295,104 Class "A" shares (1968 — 2,281,815 shares)	12,253,880	11,363,517
1,150,000 common shares	892,188	892,188
	13,146,068	12,255,705
Retained earnings	39,998,221	33,365,994
TOTAL SHAREHOLDERS' EQUITY	53,144,289	45,621,699
TOTAL	$79,150,261	$68,363,887

Approved by the Board: A. E. Barron, *Director;* J. D. Muncaster, *Director*

STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year ended December 31, 1969 (with 1968 figures for comparison)

	1969	1968
GROSS OPERATING REVENUE	$179,307,784	$142,825,815
DEDUCT OPERATING EXPENSES:		
Cost of merchandise sold and all expenses except for the undernoted items	161,004,205	128,662,378
Depreciation and amortization	1,881,216	1,346,139
Employee deferred profit sharing and option plans	1,015,721	773,166
Interest on long-term debt	10,048	20,626
Total operating expenses	163,911,190	130,802,309
	15,396,594	12,023,506
INTEREST INCOME:		
Demand notes — subsidiary company	—	145,499
Income debentures	192,658	157,756
Marketable securities	286,927	188,610
Other	239,484	114,955
Total interest income	719,069	606,820
Income before income taxes	16,115,663	12,630,326
Provision for income taxes	8,490,803	6,648,382
Income before the undernoted item	7,624,860	5,981,944
Equity in net income of subsidiary company (Note 2)	108,799	26,327
Income for the year before extraordinary gain	7,733,659	6,008,271
Gain on sale of land	118,707	—
NET INCOME FOR THE YEAR	7,852,366	6,008,271
RETAINED EARNINGS AT BEGINNING OF THE YEAR:		
As previously reported	33,330,390	28,247,208
Equity in subsidiary company in excess of cost of investment at beginning of the year (Note 2)	35,604	9,277
As restated	33,365,994	28,256,485
	41,218,360	34,264,756
DEDUCT:		
Dividends paid:		
Class "A" shares	778,855	588,262
Common shares	391,000	310,500
Goodwill and organization expense written off by subsidiary company (Note 2)	50,284	—
	1,220,139	898,762
RETAINED EARNINGS AT END OF THE YEAR	$ 39,998,221	$ 33,365,994
Earnings per share before extraordinary gain (Note 2)	$2.25	$1.80
Earnings per share relating to gain on sale of land	.03	—
EARNINGS PER SHARE	$2.28	$1.80

The accompanying notes, on pages 8 & 9, are an integral part of these financial statements.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year ended December 31, 1969 (with 1968 figures for comparison)

	1969	1968
FUNDS PROVIDED:		
Net income for the year	$ 7,852,366	$ 6,008,271
Less equity in net income of subsidiary company	108,799	26,327
	7,743,567	5,981,944
Depreciation and amortization	1,881,216	1,346,139
Deferred income tax charge — (increase) decrease	(55,019)	21,438
Total funds provided from operations	9,569,764	7,349,521
Issue of Class "A" shares (Note 4)	890,363	6,369,404
Reduction in mortgages receivable	—	5,188
Decrease in special refundable tax	21,878	172,229
Disposal of land and building	268,384	—
Total funds provided	10,750,389	13,896,342
FUNDS APPLIED:		
Additions to property and equipment:		
Land	1,196,233	1,577,389
Buildings	7,467,746	4,648,135
Fixtures and equipment	667,596	434,168
Automotive equipment	368,592	186,050
Leasehold improvements	348,589	76,702
	10,048,756	6,922,444
Investment in subsidiary company	—	941,031
Increase in long-term portion of income debentures	1,002,254	258,670
Increase in mortgages receivable	250,232	—
Reduction of long-term debt	87,095	135,896
Dividends paid:		
Class "A" shares	778,855	588,262
Common shares	391,000	310,500
Total funds applied	12,558,192	9,156,803
(DECREASE) INCREASE IN WORKING CAPITAL FOR THE YEAR	(1,807,803)	4,739,539
Working capital at beginning of the year	11,617,242	6,877,703
WORKING CAPITAL AT END OF THE YEAR	$ 9,809,439	$11,617,242

The accompanying notes, on pages 8 & 9, are an integral part of these financial statements.

notes to the financial statements

1 Inventories

Merchandise inventories have been valued at the lower of cost or estimated net realizable value less normal profit margin.

2 Investment in Wholly-owned Subsidiary Company
(Canadian Tire Acceptance Limited)

	1969	1968
Preference shares — at cost . .	$1,200,000	$1,200,000
Common shares — at cost . . .	101,031	101,031
Equity in accumulated earnings (after write off of goodwill and organization expense in 1969 of $50,284) . . .	94,119	35,604
	$1,395,150	$1,336,635

Prior to 1969, it was the company's practice to carry its investment in the subsidiary company, Canadian Tire Acceptance Limited, at cost, and to include in income the earnings of the subsidiary only to the extent of dividends received (none received since acquisition). In 1969, the company adopted the equity method of accounting for this investment. As a result, the carrying value of this investment has been adjusted to reflect the company's equity in the net assets of the subsidiary, and the company's equity in the net earnings of the subsidiary has been included in the statement of income and retained earnings. The 1968 comparative figures in the accompanying financial statements have been restated to reflect this change in accounting practice and, as a result, net income for that year and retained earnings at the beginning of that year have been increased by $26,327 and $9,277 respectively.

The assets and liabilities and income and expenses of Canadian Tire Acceptance Limited have not been consolidated with those of Canadian Tire Corporation Limited since the operations of the subsidiary are not comparable to the operations of the parent company.

3 Property and Equipment

It is the company's practice to provide for depreciation under the declining-balance method at various annual rates (buildings — 5%, fixtures and equipment — 20%, and automotive equipment — 30%), and to provide for amortization of leasehold improvements on a straight-line basis over the terms of the respective leases.

As at December 31, 1969, the company has commitments for acquisition of property and equipment amounting to $1,084,000.

4 Capital Stock

The conditions attached to the Class "A" shares prohibit the issue of Class "A" shares in excess of 1,725,000 shares, unless either,

(a) such shares are being issued to, or for the benefit of, employees of the company and/or authorized dealers and/or the employees of authorized dealers, pursuant to a scheme or plan in existence at such time, or

(b) the authorization of the holders of Class "A" shares shall first have been obtained.

During 1969, the company issued 13,289 Class "A" non-voting shares for cash in the total amount of $890,363. These shares were issued to, or for the benefit of, the employees and officers of the company.

5 Remuneration (Directors and Senior Officers)

The aggregate direct remuneration paid or payable by the company to the directors and senior officers of the company as a group during the fiscal year ended December 31, 1969 was $221,500 (1968 — $209,004). In addition, with respect to the fiscal year ended December 31, 1969, pursuant to a share purchase arrangement and a share option arrangement authorized by resolution of the directors, the company:

(a) paid to certain senior officers, engaged directly in the management of the company, amounts calculated by reference to the earnings of the company for such fiscal year which, after provision for personal income tax, provided sums sufficient in the aggregate to pay the subscription price ($176,028) of 2,603 Class "A" non-voting shares of the company, required by this arrangement to be subscribed for by such senior officers, at the market value thereof as at February 27, 1970, namely $67-5/8 per share, and

(b) granted to certain senior officers, engaged directly in the management of the company, options to purchase 5,753 Class "A" non-voting shares of the company at a price of $60.86 per share, being 90% of the market value thereof as at February 27, 1970, such options to be exercisable at any time up to February 28, 1980, at which time they expire.

It is presently proposed that the share purchase arrange-

ABLE ADDRESS: "CANTIRE"

CANADIAN TIRE CORPORATION LIMITED

837-857 YONGE STREET, TORONTO 285, ONTARIO CANADA

TELEPHONE
925-6611

April 20, 1970.

To the Holders of Class A Shares:

In recent years the Company has been aggressively pursuing its market opportunities with a growing programme of new store construction, store expansion and relocation. This programme has resulted in rapidly rising capital expenditures as the following summary will indicate:

Year ended December 31	Capital Expenditures
1965	$ 1,715,000
1966	3,931,000
1967	4,655,000
1968	6,922,000
1969	10,049,000

The sales results of these new and improved stores have been most encouraging. This factor coupled with an optimistic view of our further growth opportunities (as outlined in some detail in the Annual Report to Shareholders) has caused us to plan to continue acquiring land, constructing new retail outlets and replacing, renewing and enlarging existing stores. During 1970, we also propose to purchase land for a second major distribution centre, expand our gasoline marketing facilities and invest in the equipment necessary to provide the required capacity for growth. In 1970, this total programme will involve capital expenditures in excess of $15 million.

In addition, because of the continuing high rate of sales growth involving the need for increased inventories, substantial sums will be required for advances to Associate Dealers and to augment the Company's own working capital position.

To adequately fund this programme, the Company recently authorized Fry & Company Limited, A. E. Ames & Company Limited, and Greenshields Incorporated to confirm the sale of 132,000 Class A shares of the Company to financial institutions at the price of $65.50 per share. Such private placement of these shares is subject to the Company obtaining the necessary authorization from holders of Class A shares of the Company, and is expected to be closed during the month of May, 1970.

Accordingly, you will find enclosed a notice of meeting of holders of Class A shares to be held on May 5, 1970, for the purpose of authorizing the issue of such Class A shares. In addition, this meeting will consider the authorization of an application for Supplementary Letters Patent, providing for a 3-for-1 subdivision of the existing Class A and Common shares of Canadian Tire.

Yours very truly,

J D Muncaster

J. D. Muncaster,
President

JDM/cc

ment and share option arrangement will be continued in the future, and may be extended to certain other senior officers of the company from time to time, engaged or to be engaged directly in the management of the company. Also with respect to the fiscal year ended December 31, 1969, the company paid to the Trustees of the Canadian Tire Deferred Profit-Sharing Plan for the benefit of senior officers, amounts determined on the same basis as for other employees of the company.

6 Guarantee

The company has guaranteed unconditionally the payment of promissory notes issued or to be issued by Canadian Tire Acceptance Limited. As at December 31, 1969, the total amount of such notes, outstanding and subject to guarantee, was $2,600,000. The company has arranged bank standby credit to cover any obligation which may arise under its guarantee of authorized notes outstanding from time to time.

7 Leases

Under lease obligations for store locations, the company is committed to minimum annual rentals (exclusive of taxes, insurance and other occupancy charges), as follows:

Termination Dates	Minimum Annual Rentals
1971	$ 31,000
1977	12,000
1980	47,765
1982	147,433
1988	50,570 to 1973 and 60,570 thereafter

NEW STORES OPENED IN 1969

ONTARIO

*__Bracebridge,__ 233 Manitoba Street
Guelph North, 10 Woodlawn Road E.
*__Hamilton,__ 1089 Barton Street E.
*__Madoc,__ 37 Durham Street
Mississauga, 2100 Bromsgrove Road
*__Mount Forest,__ 525 Queen Street
*__Ottawa,__ 1375 Clyde Avenue
*__Thunder Bay,__ 905 Victoria Avenue
Toronto, 1141 Kennedy Road
*__Waterloo,__ 270 Weber Street N.

QUEBEC

*__Drummondville,__ 275, rue Cockburn
Mont-Laurier, 321, rue de la Madone
Montreal, 5685 Iberville St. (Rosemont)
Quebec City, 1170 Rte de l'Eglise (Ste-Foy)
Ste-Agathe des Monts, 96, rue Principale
Victoriaville, 104 St-Francois Street

NEW BRUNSWICK

*__Bathurst,__
939 St. Peter Avenue
Moncton,
1106 Mountain Road

NOVA SCOTIA

*__Bridgewater,__
Bridgewater Shopping Plaza

MANITOBA

Winnipeg,
3550 Portage Avenue
Winnipeg,
700 St. James Street, (Polo Park)

Location change

DELOITTE, PLENDER, HASKINS & SELLS

Offices throughout Canada and associated firms throughout the world — *Chartered Accountants*

55 YONGE STREET TORONTO 1, CANADA

AUDITORS' REPORT

To the Shareholders of
Canadian Tire Corporation Limited:

We have examined the balance sheet of Canadian Tire Corporation Limited as at December 31, 1969 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year (after restatement of the financial statements for 1968, as explained in Note 2).

Toronto, Ontario,
March 3, 1970.

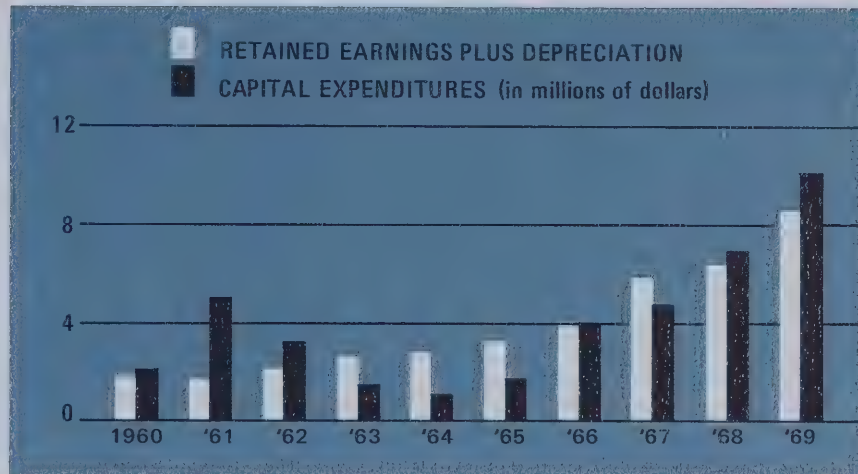
Deloitte, Plender, Haskins & Sells
Chartered Accountants.

Guelph North location opened in November, 1969, at 10 Woodlawn Road E.

10-year comparative summary

(In thousands of dollars)

Year	Number of Associate Stores	Number of Gasoline Stations	Gross Operating Revenue	Per cent Annual Change	Income Before Taxes	Per cent of Gross Operating Revenue	Net Income including Extra-ordinary Gains	Net Income before Extra-ordinary Gains	Per cent Annual Change	Depreciation	Cash Flow
1969	245	32	$179,308	+25.6	$16,116	9.0	$7,852	$7,734	+28.7	$1,881	$9,570
1968	234	29	142,826	+24.5	12,630	8.8	6,008	6,008	+22.0	1,346	7,350
1967	226	27	114,757	+17.8	9,953	8.7	4,926	4,923	+34.7	1,048	5,906
1966	225	26	97,426	+19.9	7,584	7.8	3,681	3,655	+29.0	879	4,622
1965	224	26	81,233	+12.7	5,869	7.2	2,891	2,834	+13.5	852	3,602
1964	225	26	72,066	– 1.7	5,158	7.2	2,514	2,498	+11.8	844	3,389
1963	222	26	73,319	+ 9.1	4,600	6.3	2,238	2,235	+77.5	870	3,146
1962	204	24	67,228	+18.7	2,612	3.9	1,707	1,259	– 4.5	897	2,809
1961	201	16	56,637	+ 5.4	2,686	4.7	1,329	1,318	–22.1	766	1,612
1960	190	8	53,757	+12.0	3,529	6.6	1,692	1,692	– 3.0	467	2,158



Total Dividends	Capital Expenditures	Working Capital	Share-holders' Equity	Shares Out-standing at Year End *	Net Income per Share incl. Extra-ordinary Gains *†	Net Income per Share before Extra-ordinary Gains *†	Per cent Annual Change	Cash Flow per Share *†	Share-holders' Equity per Share *†	Per cent Return on Share-holders' Equity
$1,170	$10,049	$ 9,809	$53,144	3,445,104	$2.28	$2.25	+25.0	$2.78	$15.45	14.8
899	6,922	11,617	45,622	3,431,815	1.80	1.80	+20.8	2.21	13.69	13.2
761	4,655	6,878	34,143	3,318,009	1.49	1.49	+31.9	* 1.78	10.31	14.4
584	3,931	5,896	28,683	3,283,910	1.13	1.13	+28.4	1.42	8.84	12.8
497	1,715	7,580	24,903	3,225,860	.90	.88	+14.3	1.12	7.72	11.6
452	1,129	6,365	22,508	3,225,860	.78	.77	+10.0	1.05	6.98	11.2
442	1,390	5,252	20,446	3,225,860	.70	.70	+70.7	.98	6.39	10.9
427	3,299	3,317	17,677	3,073,385	.56	.41	−6.8	.92	5.78	9.7
415	4,988	3,172	15,698	2,982,010	.45	.44	−25.4	.54	5.28	8.5
279	2,164	6,003	14,263	2,922,845	.59	.59	—	.76	4.99	11.9

*Adjusted for 5 for 1 split of June 30, 1960 and for 5 for 1 split of July 12, 1966

†Based on the average number of shares outstanding during the year

During the Sixties, 'capacity' of the Distribution Centre in Toronto was almost quadrupled — a rate of growth reflected in other company statistics for the decade (see pages 10 & 11).

Mississauga store, on the western outskirts of Toronto, opened for business as the year came to a close.

summing up the sixties...

AND LOOKING TO 'THE SEVENTIES'

THE SIXTIES ended impressively for Canadian Tire as the Nineteen Seventies turned the calendar at midnight, December 31st.

During the 1960s, gross operating revenue grew from less than $50 million to almost $180 million (see 10-Year Summary on pages 10 & 11) with more than $100 million of that growth occurring in the second half of the decade. The downtrend in profit margins of the early 1960s was reversed in 1963 and, in ensuing years, pre-tax income as a percentage of revenue improved dramatically to the highest levels in recent history. This combination of increased volume and greater margins yielded an almost four-fold growth in earnings per share during the decade. In 1969, the after-tax return on shareholder equity reached 14.8% — a new high for recent years.

Though Canadian Tire is represented in only one of the western provinces — by the five stores opened in Winnipeg since late 1966 — we have become one of Canada's largest mass merchandisers. In the past decade, $40 million was invested on capital expansion — more than half of this amount ($21.6 million) in the past three years. In view of the additional sales volumes generated together with escalating building costs and interest rates, earnings re-invested in new retail locations and distribution facilities have proven to be sound investments.

To service the charge-account shopper, Canadian Tire Acceptance Limited was incorporated in 1966. Though less than 7% of total Associate Store sales are written on credit, growth of this programme has been rapid, with receivables outstanding at the end of 1969 exceeding $5 million.

The Company's retail sales momentum is attributable to a combination of factors — a growing family of Associate Dealers (see page 9 for a list of 1969 store openings), larger premises, more efficient store layout, installation of self-serve shopping facilities, a wider selection of economical Canadian Tire brands and assorted sales stimuli, ranging from our popular cash bonus discount notes to an aggressive and well-timed advertising programme. The growing impact of this total marketing concept is reflected in a doubling of our average sales volume per store over the past four years.

While our emphasis is still on sales of automotive tires, parts and accessories, the 1960s saw more and more shoppers turn to Canadian Tire for their household and leisure-time needs. Particularly in smaller centres, the store with the red triangle became the main source of supply for area shoppers for such products.

Canadian Tire's centralized buying facilities were equal to the trend, supplying a broader range of consumer goods with each year of the decade. With our aggressive pricing policy, we were leaders in establishing the cost/price structure of many staples for the car, home and leisure activities of the '60s. The significant savings inherent in 'volume purchasing' were reflected on the price cards in our stores.

Increases in volume of merchandise handled have necessitated almost continuous expansion of our Distribution Centre in Toronto. An addition providing 230,000 square feet of storage space was completed as 1969 came to a close, adjoining a similar-sized addition built in 1967. The size of the warehouse building — 243,000 square feet at the outset of the 1960s — has more than quadrupled over the intervening years and now provides 1,141,000 square feet of warehousing capacity.

Beginning in March, 1969, warehouse operations were placed on a two-shift basis and a second computer was installed to speed the flow of merchandise to Dealers' stores. The Company's long-distance hauling fleet now includes over 100 units — a long way, both in size and mileage covered, from the two-truck operation begun in February, 1967.

In contrast with the price-war conditions of the early '60s, recent years have seen a firmness in gasoline pricing in most market areas served by Canadian Tire. Accordingly, the profitability of our gasoline marketing operation has improved substantially.

AS WE enter the 1970s, the short-term outlook for Canadian retail sales is not as encouraging as in recent years. Despite rising personal incomes and higher levels of savings, the consumer's desire to spend seems affected by forecasts of impending recession, news of rising unemployment, plant shut-downs and the government's call for spending restraint.

It is our belief, however, that such restraint is likely to be concentrated in the higher-value consumer durables — automobiles, major appliances, home furnishings, boats and other expensive leisure-time goods. Canadian Tire has minimum exposure in such areas. Additionally, with the greater discretionary spending power after having decided not to purchase the major product, sales of consumables and semi-durables should be strong during 1970.

Canadian Tire's 1970 volume expectations are further strengthened by two current factors. Our primary appeal to the public has always stemmed from providing greater value for the price paid. In a period like the present, when the consumer mood is somewhat negative, we are convinced that a greater proportion of the public will attempt to save on purchases, thus improving our relative appeal. In addition, with lower sales of new cars, we expect a buoyant market for the automotive sector of our business, which still represents more than 50% of total volume.

Looking beyond any short-run effects of current efforts to restrain inflation, the market prospects become extremely exciting. For the first time in many years, there is not only an absolute increase in the number of young people reaching the family formation stage but this group will also represent a higher percentage of the total population. The 'young marrieds' are the real consumers in the economy, spending up to and beyond their current incomes.

Along with their need to set up and maintain households, we expect these young people to be highly mobile and oriented to participative leisure-time activities. Our product concentration in the areas of automotive, home maintenance and improvement, and leisure-time goods is being developed to service these rapidly growing market sectors.

With such growth opportunities ahead in the 1970s, we presently plan an aggressive programme of growth, opening 10 to 15 additional outlets per year while continuing to expand and upgrade our existing stores.

Canadian Tire's 'identity' has been strengthened with the installation of high-visibility signs and prominent directions to service facilities.

Largest Canadian Tire store (Ste-Foy, 53,000 sq. ft.) opened in Quebec City in April, 1969. The 19-bay service centre is shown in this view.

CANADIAN TIRE ACCEPTANCE LIMITED

(Incorporated under The Corporations Act, Ontario)

BALANCE SHEET as at December 31, 1969

ASSETS

	1969	1968
CURRENT ASSETS:		
Cash	$ 100	$ 100
Accounts receivable	37,867	10,175
Contracts receivable (less allowance for credit losses, 1969 – $174,823; 1968 – $142,132)	5,097,840	3,697,411
Prepaid expenses	4,279	6,880
TOTAL CURRENT ASSETS	5,140,086	3,714,566
FIXED ASSETS – at cost:		
Office furniture and equipment	59,699	55,336
Leasehold improvements	11,277	–
	70,976	55,336
Less accumulated depreciation and amortization (Note 1)	29,389	18,991
NET FIXED ASSETS	41,587	36,345
OTHER ASSETS – at cost:		
Goodwill	–	48,855
Organization expense	–	1,429
TOTAL OTHER ASSETS	–	50,284
TOTAL	$5,181,673	$3,801,195

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
CURRENT LIABILITIES:		
Bank loan – secured by receivables	$ 263,000	12,900
Accounts payable	808,315	560,865
Income taxes payable	96,241	21,351
Demand notes (Note 2)	2,600,000	1,800,000
Due to parent company	18,967	69,444
TOTAL CURRENT LIABILITIES	3,786,523	2,464,560
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized:		
200,000 5% non-cumulative, redeemable (at amount paid thereon), preference shares of a par value of $10 each		
200,000 common shares of no par value		
Issued and fully paid:		
120,000 preference shares	1,200,000	1,200,000
100,000 common shares	100,000	100,000
	1,300,000	1,300,000
Retained earnings	95,150	36,635
TOTAL SHAREHOLDERS' EQUITY	1,395,150	1,336,635
TOTAL	$5,181,673	$3,801,195

Approved by the Board: B. R. Wilson, *Director*; J. D. Muncaster, *Director*

The accompanying notes, on page 16, are an integral part of these financial statements.

CANADIAN TIRE ACCEPTANCE LIMITED

(Incorporated under The Corporations Act, Ontario)

STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year ended December 31,	1969	1968
GROSS OPERATING REVENUE (Note 3)	$1,375,865	$1,060,909
OPERATING EXPENSES:		
Provision for credit losses	196,230	149,592
Other	754,026	686,568
Total operating expenses	950,256	836,160
OPERATING INCOME BEFORE INTEREST AND INCOME TAXES	425,609	224,749
INTEREST ON BORROWED FUNDS:		
Parent company	–	145,499
Other	192,084	22,742
Total interest on borrowed funds	192,084	168,241
INCOME BEFORE INCOME TAXES	233,525	56,508
Provision for income taxes	124,726	30,181
NET INCOME FOR THE YEAR	108,799	26,327
Retained earnings at beginning of the year	36,635	10,308
	145,434	36,635
Goodwill and organization expense written off	50,284	–
RETAINED EARNINGS AT END OF THE YEAR	$ 95,150	$ 36,635

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year ended December 31,	1969	1968
FUNDS PROVIDED:		
Net income for the year	$ 108,799	$ 26,327
Depreciation and amortization	10,398	9,040
Total funds provided from operations	119,197	35,367
Issue of capital stock:		
Preference shares	–	1,200,000
Common shares	–	99,990
Total funds provided	119,197	1,335,357
FUNDS APPLIED:		
Repayment of subordinated demand notes	–	399,990
Additions to – office furniture and equipment	4,363	23,774
– leasehold improvements	11,277	–
Organization expense	–	910
Total funds applied	15,640	424,674
INCREASE IN WORKING CAPITAL FOR THE YEAR	103,557	910,683
Working capital at beginning of the year	1,250,006	339,323
WORKING CAPITAL AT END OF THE YEAR	$1,353,563	$1,250,006

The accompanying notes, on page 16, are an integral part of these financial statements.

BOARD OF DIRECTORS

A. E. Barron
R. J. Hobbs
R. Law
J. D. Muncaster
B. R. Wilson

OFFICERS

B. R. Wilson, President
J. D. Muncaster, Vice President
R. J. Hobbs, Vice President
R. Law, Secretary
F. Y. Sasaki, Treasurer

notes to the financial statements

1 Depreciation and Amortization Policy

It is the company's practice to provide for depreciation of office furniture and equipment under the declining - balance method at 20%, and to provide for amortization of leasehold improvements on a straight-line basis over a period of five years. The total amount so provided for the current year was $10,398 (1968 – $9,040).

2 Demand Notes

The demand notes of the company are unconditionally guaranteed by its parent company, Canadian Tire Corporation Limited. The parent company has available bank standby credit to cover any obligation which may arise under its guarantee of authorized notes outstanding from time to time.

3 Revenue

Discounts on contracts purchased from dealers are taken into revenue at the time the contracts are purchased. Customer accounts are maintained on a cycle - billing basis, and service charges are accrued each month on balances outstanding at the close of each cycle.

4 Remuneration (Directors and Senior Officers)

The total remuneration of directors and senior officers, as defined in The Corporations Act, Ontario, was $67,197 in 1969 (1968 – $56,249).

DELOITTE, PLENDER, HASKINS & SELLS

Offices throughout Canada and associated firms throughout the world — *Chartered Accountants*

55 YONGE STREET TORONTO 1, CANADA

AUDITORS' REPORT

To the Shareholders of
Canadian Tire Acceptance Limited:

We have examined the balance sheet of Canadian Tire Acceptance Limited as at December 31, 1969 and the statements of income and retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
February 11, 1970.

Deloitte, Plender, Haskins & Sells
Chartered Accountants.

board of directors

A. E. BARRON
Chairman of the Board,
Canadian Tire Corporation, Limited
Toronto, Canada
President,
Canadian General Investments, Limited

A. D. BILLES
President, Bilco Tire Limited
Toronto, Canada
A Canadian Tire Associate Store Owner

A. W. BILLES
President, 839 Yonge Street Main Store Limited
Toronto, Canada
A Canadian Tire Associate Store Owner

D. G. BILLES
President, Performance Engineering Limited
Thornhill, Ontario

R. J. HOBBS
Vice President
Canadian Tire Corporation, Limited
Toronto, Canada

R. LAW, Q.C.
Secretary,
Canadian Tire Corporation, Limited
Partner, Blackwell, Hilton, Treadgold & Spratt
Barristers and Solicitors

J. D. MUNCASTER
President and Chief Executive Officer,
Canadian Tire Corporation, Limited
Toronto, Canada

A. L. SHERRING, C.A.
Executive, National Trust Company, Limited
Toronto, Canada

L. A. WARREN
President, L. A. Warren Limited
North Bay, Ontario
A Canadian Tire Associate Store Owner

D. J. WILKINS
Chairman of the Board,
Fry & Company Limited
Toronto, Canada

officers

A. E. Barron, Chairman of the Board

J. D. Muncaster, President

R. J. Hobbs, Vice President

W. R. Dawson, Vice President, Marketing

J. W. Kron, Vice President, Distribution

R. Law, Secretary

F. Y. Sasaki, Treasurer

registrars and transfer agents

National Trust Company, Limited — Toronto, Montreal and Calgary

solicitors

Blackwell, Hilton, Treadgold & Spratt — Toronto

bankers

Canadian Imperial Bank of Commerce / Chicago City Bank and Trust Company

auditors

Deloitte, Plender, Haskins & Sells, Chartered Accountants — Toronto

HEAD OFFICE: 837 Yonge Street, Toronto

Class "A" and Common shares listed on the Toronto and Montreal Stock Exchanges

new perspectives for the 1970s

Store 'identity' begins with exterior signs and ends with the customer's selection of boxed, packaged or labelled products with effective identification of their contents and use. Canadian Tire designers are fully aware of the psychological aspects of form and colour as they apply to building exteriors, interior decor and 'house brand' packaging. Our objective in redesigning our premises, signs and packages is to reinforce, yet at the same time retain, our familiar consumer image. By broadening our appeal through design, we can attract new generations of customers.